

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – APRIL 7, 2004

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Evie Taft, Human Resources Administrator.

EXCUSED: Chairman Anthony Maiola

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending April 4, 2004 shows retail sales were up almost 15.2%, on-premise sales were up roughly 8.9%, off-premise sales were up 10.22%, and total aggregate sales were up around 7.42%. The traffic count increased by 6,791, as did the average sales ticket by \$2.09.

The W-1 Total Weekly Sales report for the same week confirms total weekly sales increased by 7.42% or \$416,270 and also increased for the year by 8% or \$21,319,353. Wine sales were up 3.09% or \$87,870 for the weekly comparison, and were also up 8.15% or \$10,082,939 for the year. Sales of spirits increased 11.89% or \$328,399 for the week, as they did year-to-date by 7.87% or \$11,236,614.

B. Budget/Administrative Reports:

There was nothing of significance to report this week regarding outstanding depletions/post-offs and gift cards.

The Commission has a transfer request for \$298,000 on this morning's Governor and Council meeting agenda.

In addition, there are two hearings scheduled for today – Senate Bill 534 at 10:00 a.m. and Senate Bill 1159 at 1:15 p.m. Craig, who checked on the status of Bill 1254 which involves the new Seabrook store, said he doesn't expect the bill to be signed for a couple of weeks. Tom Smith will proceed with what work he can using monies that are in the budget right now. George said one of the contract amendments to the HVAC contract, which provides services to Seabrook, should be approved today. However, there is still no lease in hand for the Bedford location.

**NEW HAMPSHIRE STATE LIQUOR COMMISSION
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Page Two

The kick-off for the Annual Employees' Charitable Campaign is scheduled for April 19th, and will run through May 31st. Evie, Craig and Veronica Sedille are coordinating this program, and will present a letter for signature by the Commission acknowledging the campaign. They are aiming to increase employee participation levels at headquarters, Enforcement and in the stores, and are developing some special incentives to encourage this.

The W-6 Expense Budget Activity Variance Report shows that as of April 6, 2004 the year is at about 77% expired, with total agency expenditures at around 76.5% of the budget. George remarked that Class 10 full-time permanent appears to be holding well, with no problems anticipated. Benefits are a little high at about 81.5%, but this is not unusual. If the transfer request is approved today it will help to clear up some of the line items which are running low, such as heat, electricity and water. Money will also be transferred into Class 50 temporary services and overtime for stores. Commissioner Byrne asked George for a projection as to what the lapse will be at the end of the year.

The same two auditors who worked here last year will be arriving at headquarters beginning next week.

A pre-bid conference was held last week for the security contract for stores. Some concerns were expressed regarding the terms of the contract. Consequently, some revisions were made to the RFP, and it was sent out again. This will hopefully result in a good response from bidders.

George reported that liquor revenues earned over the past month were \$7.9 million, which exceeded the projected \$7.6 million by \$500,000. Beer revenues, however, fell short of the projected \$300,000 by \$100,000. The estimate for this next month for liquor is once again \$7.6 million.

Evie spoke with the training department at the Division of Personnel relative to beginning harassment training. She would like to begin at headquarters first, and then expand training to the stores.

Evie met with Liberty Mutual representatives last week concerning their evaluation report. She would like to have them meet with everyone in this group to go through their findings. Compared to other facilities, the Commission's material handling is in fairly good shape. It currently takes around 8 days to process workers' compensation claims. Evie, Craig and Payroll met to discuss what responsibilities Human Resources could extract from Payroll which are really human resources functions. These changes would be made with the least amount of impact on employees as possible.

2. IT Report

Howard gave a presentation on the new Business intelligence software IT has created, which allows queries into the Data Warehouse on sales and gross profit. There are several options which allow the user to refine the request to the specific time, product and location. Some training has already been given to the Marketing Department.

Howard showed an on-line sign-up sheet for licensees wishing to attend the next Enforcement training sessions. The ability to accept credit card payments from licensees will come with the new licensing system. Craig is waiting for the P-28 on the system to be processed and expects to be notified when it is ready. Last week a purchase order was faxed to Verisign which will give the Commission a digital certificate to allow the processing of transactions securely over the web, including allowing licensees to pay for product in this manner. It will take about three weeks to put everything in place and run tests.

II. MARKETING & SALES REPORTS

1. Store Operations

A. Recommended Store Openings – Memorial Day:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve store openings and staffing for Memorial Day, Monday, May 31, 2004, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Total retail store sales for the week ending 4/4/04 increased by 13.71% or \$525,589.59. There was nothing out of the ordinary to report on sales figures.

Peter reported that five regional managers' meetings are scheduled to take place.

Peter requested some detail security services from Enforcement over the next couple of days at Stores #38 Portsmouth and #73 and #76 Hampton relative to an organized group of shoplifters in that area.

The "Uncork the Cash" giveaway part of the promotion has ended. Peter said activation of cards was accomplished by Paymentech Texas office.

2. Purchasing Report

John Bunnell reported that inventory continues to be in a very strong position, with no high demand items currently out of stock.

3. Merchandising Report

A. SPIRITS:

1) Memorial Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fifty-two spirit items to be featured during the Memorial Day Sale, scheduled for the period of Thursday, May 20 through Monday, May 31, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Toad Pina Colada):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H. for a new test market listing for Toad Pina Colada, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Cruzan Banana & Vanilla rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from United Beverages, Inc./Todhunter Imports for new test market listings for Cruzan Banana and Cruzan Vanilla flavored rums, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Results (7 spirit items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty listings for the following four (4) spirit items that exceeded the gross profit required for specialty status at the conclusion of a six-month test market period: Code #3546, Van Gogh Vodka, 750ML; Code #2773, Signatory Macallan Single Malt, 750ML; Code #2771, Signatory Laphroaig Single Malt, 750ML; and Code #938, Just Desserts Thin Mint, 750ML, but delist the following three (3) spirit items which failed to earn both the gross profit required for full distribution and for specialty

status at the conclusion of a six-month test market period: Code #2770, Signatory Highland Park Single Malt, 750ML; Code #2772, Signatory Glenrothes Single Malt, 750ML; and Code #2776, Signatory Ardmore Single Malt, 750ML, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy Request (House of Walker Sampler Pack):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Schieffelin & Somerset for a one-time purchase of The House of Walker 200ML Sampler Pack (assigned temporary Code #2397), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) June Special Offers:

a. 10 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of ten (10) spirit items, to be featured on sale during June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 5 items – Pine State Trading Co.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of five (5) spirit items, to be featured on sale during June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 46 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions (without matching state funds) of forty-six (46) spirit items, to be featured on sale during June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and

concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings:

a. Full Distribution (Code #21957):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution, to be available for order by stores, of Code #21957, Cooks Spumante, 750ML size, which earned at least \$6,500 during a twelve-month period, the majority of which was in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution (Codes #37678 & #29616):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution, to be available for order by stores, of Code #37678, Pinot Noir Castle Rock Russian River and Code #29616, Cotes du Rhone Kermit Lynch, 750ML sizes, each of which earned at least \$6,500 during a twelve-month period, the majority of which was in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Full Distribution (Codes #37828 & #36770):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution, to be available for order by stores, of Code #37828, Shiraz/Cabernet Yellow Tail and Code #36770, Cabernet Sauvignon Yellow Tail, 1.5L sizes, each of which earned at least \$6,500 during a twelve-month period, the majority of which was in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Full Distribution (Codes #38436, #38437 & #38438):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution, to be available for order by stores, of Code #38436, Cabernet Sauvignon Woodbridge Select, Code #38437, Chardonnay Woodbridge Select and Code #38438, Merlot Woodbridge Select, 750ML sizes, each of which earned at least \$6,500 during a twelve-month period, the majority of which was in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Full Distribution (5 items – Pine State Trading Co.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution, to be available for order by stores, of Code #28318, Riesling Turning Leaf Reserve Monterey, 750ML size, Code #33873, Bella Sera Pinot Grigio, 750ML size, Code #36234, Chianti Ecco Domaini, 750ML size, Code #37527, Pinot Grigio Redwood Creek, 1.5L size and Code #36371, Shiraz McWilliams Hanwood, 750ML size, each of which earned at least \$6,500 during a twelve-month period, the majority of which was in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for the Memorial Day Sale in May 2004 (10 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, Martignetti Companies of N.H. and Horizon Beverage Company featuring ten (10) wine products during the May 2004 Memorial Day Sale, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Non-Recommendation of Purchase:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from M.S. Walker, Inc./Prestige Wine Imports for the Commission to make a special purchase of two Aracio wines for May and June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Wine Warehouse Update & Recommended Closure of Store #10:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the removal of Store #10, Manchester, as a discount warehouse for close out wines, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Wine Specialty Products (22 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-two (22) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Not Recommended – Wine Specialty (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny two (2) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) allocated wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (7 items – primary source; 1 item – exclusive agent; 16 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of seven (7) wine codes which are from primary source, one (1) wine code which is not from primary source, but is offered by the exclusive marketing agent, and sixteen (16) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated April 1 through April 7, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford